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# FORM 10-Q

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

I

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[X] QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended May 30, 1992

OR

[ ] TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

Commission file number 0-12604

GTECH Corporation
(Exact name of registrant as specified in its charter)

| Delaware | 05-0389840 |
|---|---|
| (State or other jurisdiction of incorporation or organization) | (I.R.S. Employer Identification Number) |

| 55 Technology Way, West Greenwich, Rhode Island | 02817 |
|---|---|
| (Address of principal executive offices) | (Zip Code) |

Registrant's telephone number, including area code: (401)392-1000

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes X No _____

At June 15, 1992 there were 200 shares of the registrant's Common Stock outstanding.

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GTECH CORPORATION AND SUBSIDIARIES


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PART I. FINANCIAL INFORMATION

Item 1. FINANCIAL STATEMENTS

CONSOLIDATED BALANCE SHEETS

OTECH CORPORATION AND SUBSIDIARIES

| ASSETS | February 29, 1992 (1) | (Unaudited) May 30, 1992 |
|---|---|---|
| | (Dollars in thousands) | |
| CURRENT ASSETS | | |
| Cash and cash equivalents | $ 3,342 | $ 4,674 |
| Trade accounts receivable | 33,729 | 55,714 |
| Current portion of receivables relating to sales-type leases | 5,442 | 5,106 |
| Inventories--Note B | 28,097 | 27,015 |
| Deferred income taxes | 6,315 | 6,315 |
| Other current assets | 2,604 | 2,886 |
| TOTAL CURRENT ASSETS | 79,529 | 101,710 |
| RECEIVABLES RELATING TO SALES-TYPE LEASES, LESS CURRENT PORTION | 9,045 | 8,378 |
| SYSTEMS, EQUIPMENT AND OTHER ASSETS RELATING TO LOTTERY CONTRACTS | 229,370 | 262,802 |
| Less: Accumulated Depreciation | (72,631) | (83,272) |
| | 156,739 | 179,530 |
| PROPERTY, PLANT & EQUIPMENT | 23,937 | 26,331 |
| Less: Accumulated Depreciation | (6,930) | (8,244) |
| | 17,007 | 18,087 |
| GOODWILL | 95,895 | 95,263 |
| OTHER ASSETS | 27,053 | 28,062 |
| | $ 385,268 | $ 431,030 |

(1) The balance sheet at February 29, 1992 has been taken from the audited financial statements at that date.

See notes to consolidated financial statements.

CONSOLIDATED BALANCE SHEETS--CONTINUED

OTECH CORPORATION AND SUBSIDIARIES

| LIABILITIES AND SHAREHOLDERS' EQUITY | February 29, 1992 (1) | (Unaudited) May 30, 1992 |
|---|---|---|
| | (Dollars in thousands) | |
| **CURRENT LIABILITIES** | | |
| Accounts payable | $ 35,363 | $ 30,277 |
| Accrued expenses | 17,731 | 19,914 |
| Advance payments from customers | 7,482 | 9,359 |
| Accrued interest payable | 2,973 | 6,705 |
| Employee compensation | 8,776 | 9,019 |
| Taxes, other than income taxes | 4,818 | 5,059 |
| Income taxes payable--Note E | 5,119 | 10,461 |
| Current portion of long-term debt--Notes C and F | 18,896 | 20,081 |
| TOTAL CURRENT LIABILITIES | 101,158 | 110,875 |
| LONG-TERM DEBT, less current portion--Notes C and F | 202,669 | 224,075 |
| CASH COLLECTED IN EXCESS OF REVENUE RECOGNIZED | 20,911 | 22,463 |
| OTHER LIABILITY | 2,468 | 2,533 |
| REDEEMABLE PREFERRED STOCK, par value $.01 per share, 2,200,000 shares authorized, 1,146,921 and 1,194,211 shares issued and outstanding at February 29, 1992 and May 30, 1992 respectively, with a liqcidation preference of $25 per share--Notes D and F | 27,347 | 28,612 |
| SHAREHOLDERS' EQUITY--Note F | | |
| Common Stock, par value $.01 per share--200 shares authorized, issued and outstanding | — | — |
| Additional paid-in capital | 27,658 | 27,595 |
| Equity carryover basis adjustment | (7,008) | (7,008) |
| Translation adjustment | 225 | 489 |
| Retained earnings | 9,840 | 21,396 |
| | 30,715 | 42,472 |
| | $ 385,268 | $ 431,030 |

(1) The balance sheet at February 29, 1992 has been taken from the audited financial statements at that date.

See notes to consolidated financial statements.

CONSOLIDATED STATEMENTS OF INCOME (UNAUDITED)

GTECH CORPORATION AND SUBSIDIARIES

| | Three Months Ended | |
|---|---|---|
| | May 25, 1991 | May 30, 1992 |
| | (Dollars in thousands except per share amounts) | |
| **Revenues:** | | |
| Services | $ 53,650 | $ 70,975 |
| Sales of products | 24,729 | 49,499 |
| | 78,379 | 120,474 |
| **Costs and expenses:** | | |
| Costs of services | 32,526 | 44,555 |
| Costs of sales | 13,649 | 24,821 |
| | 46,175 | 69,376 |
| **Gross profit** | 32,204 | 51,098 |
| Selling, general and administrative | 11,288 | 18,718 |
| Research and development | 3,933 | 5,958 |
| **Operating income** | 16,983 | 26,422 |
| **Other income (expenses):** | | |
| Interest income | 701 | 542 |
| Other income | 424 | 537 |
| Interest expense | (7,078) | (6,456) |
| **Income before income taxes** | 11,030 | 21,045 |
| **Income taxes--Note E** | 7,610 | 8,207 |
| **Net income** | 3,420 | 12,838 |
| **Dividends on and accretion of preferred stock** | (1,102) | (1,282) |
| **Net income applicable to common shareholders** | $ 2,318 | $ 11,556 |
| **Earnings per common share** | $ 11,590.00 | $ 57,780.00 |
| **Weighted average common shares outstanding** | 200 | 200 |

See notes to consolidated financial statements.

CONSOLIDATED STATEMENT OF SHAREHOLDERS' EQUITY (UNAUDITED)

GTECH CORPORATION AND SUBSIDIARIES

| | Common Stock Shares | Common Stock Amount | Additional Paid-in Capital | Other | Retained Earnings | Total |
|---|---|---|---|---|---|---|
| | | | (Dollars in thousands) | | | |
| Balance at February 29, 1992 | 200 | $ — | $ 27,658 | $ (6,783) | $ 9,840 | $ 30,715 |
| Return of capital contributed by GTECH Holdings | — | — | (63) | — | — | (63) |
| Preferred stock dividend-paid in kind | — | — | — | — | (1,199) | (1,199) |
| Accretion of preferred stock issuance cost | — | — | — | — | (83) | (83) |
| Net income | — | — | — | — | 12,838 | 12,838 |
| Foreign currency translation | — | — | — | 264 | — | 264 |
| Balance at May 30, 1992 | 200 | $ — | $ 27,595 | $ (6,519) | $ 21,396 | $ 42,472 |

See notes to consolidated financial statements.

**CONSOLIDATED STATEMENTS OF CASH FLOWS (UNAUDITED)**

**GTECH CORPORATION AND SUBSIDIARIES**

| | Three Months Ended | |
|---|---|---|
| | May 25, 1991 | May 30, 1992 |
| | (Dollars in thousands) | |
| **OPERATING ACTIVITIES** | | |
| Net Income | $ 3,420 | $ 12,838 |
| Adjustments to reconcile net income to net cash provided by operating activities: | | |
| Depreciation and amortization | 9,812 | 13,449 |
| Non-cash stock compensation | 377 | 2,331 |
| Non-cash interest | 533 | 600 |
| Non-cash gain on conversion of convertible debentures | (84) | --- |
| Sales-type leases | 2,808 | 1,003 |
| Cash collected in excess of revenue recognized | 1,719 | 1,552 |
| Other | (9) | (1,733) |
| Changes in operating assets and liabilities: | | |
| Trade accounts receivable | 2,434 | (21,985) |
| Inventories | 6,043 | 1,082 |
| Other current assets | 160 | (294) |
| Accounts payable, accrued expenses and other current liabilities | (69) | 1,250 |
| Income taxes payable | 4,797 | 5,342 |
| NET CASH PROVIDED BY OPERATING ACTIVITIES | 31,941 | 15,435 |
| **INVESTING ACTIVITIES** | | |
| Purchases of systems, equipment and other assets relating to lottery contracts | (19,836) | (34,366) |
| Purchases of property plant and equipment | (517) | (2,394) |
| Decrease in assets held for sale | 27 | --- |
| Decrease in investments in affiliates | 381 | 405 |
| NET CASH USED IN INVESTING ACTIVITIES | (19,945) | (36,355) |
| **FINANCING ACTIVITIES** | | |
| Proceeds from issuance of long-term debt | 1,835 | 23,500 |
| Principal payments on long-term debt | (5,934) | (994) |
| Proceeds from issuance of common stock | 100 | --- |
| Return of capital contributed by GTECH Holdings | --- | (5) |
| NET CASH (USED IN) PROVIDED BY FINANCING ACTIVITIES | (3,999) | 22,501 |
| **INVESTING AND FINANCING ACTIVITIES RELATING TO ACQUISITION** | | |
| Purchase of common stock | (16) | (3) |
| Payment of accrued expenses | (196) | --- |
| NET CASH USED IN INVESTING AND FINANCING ACTIVITIES RELATING TO ACQUISITION | (212) | (3) |
| Effect of exchange rate changes on cash | 9 | (246) |
| INCREASE IN CASH AND CASH EQUIVALENTS | 7,794 | 1,332 |
| Cash and cash equivalents at beginning of period | 5,638 | 3,342 |
| CASH AND CASH EQUIVALENTS AT END OF PERIOD | $ 13,432 | $ 4,674 |

See notes to consolidated financial statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

GTECH CORPORATION AND SUBSIDIARIES

MAY 30, 1992

## NOTE A--BASIS OF PRESENTATION

The accompanying unaudited consolidated financial statements of GTECH Corporation ("GTECH") have been prepared in accordance with generally accepted accounting principles ("GAAP") for interim financial information and with the instructions to Form 10-Q and Article 10 of Regulation S-X. Accordingly, they do not include all of the information and footnotes required by GAAP for complete financial statements. In the opinion of management, all adjustments (consisting of normal recurring accruals) considered necessary for a fair presentation have been included. Operating results for the three month period ended May 30, 1992 are not necessarily indicative of the results that may be expected for the fiscal year ending February 27, 1993. For further information refer to the consolidated financial statements and footnotes thereto included in GTECH's fiscal 1992 annual report on Form 10-K.

## NOTE B--INVENTORIES

Inventories consist of:

| | February 29, 1992 | May 30, 1992 |
|---|---|---|
| | (Dollars in thousands) | |
| Purchased components | $ 7,419 | $ 7,413 |
| Finished subassemblies | 1,885 | 1,709 |
| Work-in-process | 9,771 | 7,909 |
| Finished goods | 9,022 | 9,984 |
| | $ 28,097 | $ 27,015 |

## NOTE C--LONG-TERM DEBT

Long-term debt consists of:

| | February 29, 1992 | May 30, 1992 |
|---|---|---|
| | (Dollars in thousands) | |
| Term loan facility | $ 63,640 | $ 63,640 |
| Lottery contract facility | 10,000 | 33,000 |
| Puerto Rico term loan | 16,600 | 16,600 |
| Senior subordinated notes due 2000 | 115,000 | 115,000 |
| Convertible subordinated debentures due 2005 | 11,786 | 11,785 |
| Other long-term debt with various interest rates and maturities | 4,539 | 4,131 |
| | 221,565 | 244,156 |
| Less current maturities | 18,896 | 20,081 |
| | $ 202,669 | $ 224,075 |

Reference is made to Note F herein for proposed changes in long-term debt.

NOTE D--REDEEMABLE PREFERRED STOCK

A summary of changes in the Redeemable Preferred Stock is as follows:

| | Shares | Amounts (Dollars in Thousands) |
|---|---|---|
| Balance at February 29, 1992 | 1,146,921 | $ 27,347 |
| Share dividends declared (in lieu of cash dividends) | 47,290 | 1,182 |
| Accretion of Redeemable Preferred Stock | --- | 83 |
| Balance at May 30, 1992 | 1,194,211 | $ 28,612 |

Reference is made to Note F herein for proposed redemption of the Redeemable Preferred Stock.

NOTE E--INCOME TAXES

The cumulative effective income tax rate of 39% was greater than the statutory rate due primarily to state income taxes.

NOTE F--SUBSEQUENT EVENT

In June 1992, GTECH Holdings Corporation ("Holdings"), GTECH's parent corporation, filed a registration statement with the Securities and Exchange Commission covering the proposed underwritten public offering of 5,900,000 shares of its Common Stock and additional shares of Common Stock by selling stockholders, including certain members of GTECH's management and other principal stockholders (the "Offerings").

In connection with the Offerings, GTECH intends to enter into a new credit agreement providing for an unsecured revolving credit facility of up to $300 million (the "New Credit Facilities") which will replace the 1990 Credit Facilities. The net proceeds to GTECH from the Offerings, together with borrowings under the New Credit Facilities, are intended to be used for the purpose of funding a tender offer (which already has commenced) for all of GTECH's outstanding Senior Subordinated Notes and redemption of all of GTECH's outstanding Redeemable Preferred Stock and Convertible Subordinated Debentures.

Item 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

General

GTECH's business consists primarily of providing on-line lottery services and products to governmental lottery authorities and governmental licensees worldwide. GTECH offers its customers a full range of lottery services, including the design, assembly, installation, operation and maintenance of on-line lottery systems. GTECH's lottery systems consist of numerous lottery terminals located in retail outlets, central computer systems, systems software and game software, and communications equipment which connects the terminals and the central computer systems. GTECH's lottery products include turnkey lottery systems and their components.

GTECH is the world's leading operator and supplier of computerized on-line lottery systems. GTECH operates on-line lottery systems for 24 of the 35 lottery authorities in the United States and has supplied or operates on-line lottery systems for 32 of the 40 international on-line lottery authorities.

Historically, the majority of GTECH's customers in the United States have entered into long-term service contracts pursuant to which GTECH provides, operates and maintains the customers' on-line lottery systems in return for a percentage of the gross lottery revenues. Most of GTECH's international customers have purchased their on-line lottery systems. Approximately 70% of GTECH's revenues is derived from its portfolio of long-term on-line lottery service contracts, which typically have an initial term of at least five years and usually provide the lottery authority with options to extend on the same terms and conditions for additional periods generally ranging from two to five years. In addition, GTECH's customers occasionally negotiate extensions on different terms and conditions. Substantially all of the remainder of GTECH's revenues is derived from product sales

GTECH's service contracts are generally subject to a new competitive bidding process after the expiration of the contract term and all extensions thereof. GTECH's lottery contract in New York, for example, is currently subject to a new competitive procurement process. While GTECH does not believe that the loss of any one of its existing contracts would have a material adverse effect on GTECH's results of operations, the loss of more than one of its major contracts could, if not replaced by other business, have such an effect.

Historically, a substantial portion of product sales revenues has been derived from a relatively few, large transactions, usually involving the installation of new on-line lottery systems. The remainder of GTECH's product sales revenues has consisted almost entirely of sales of lottery terminals and equipment in connection with the expansion of existing lottery systems. The size and timing of this limited number of relatively large transactions at times has resulted in variability in product sales revenues from quarter to quarter. However, the impact of such transactions on GTECH's results of operations is expected to be mitigated to some extent as a result of the growth in the number of GTECH's product sales customers, especially customers that place larger orders with extended delivery schedules, and the expansion of existing on-line lottery systems. In addition, GTECH expects the relatively new market for replacement terminals to expand with the growth and maturation of its terminal base. As of May 30, 1992, GTECH had a backlog of orders for 7,885 replacement terminals.

**SUMMARY FINANCIAL DATA**

**The following discussion should be read in conjunction with the table which follows.**

| | Three Months Ended | | | |
|---|---|---|---|---|
| | May 25, 1991 | | May 30, 1992 | |
| | (Dollars in thousands) | | | |
| **Revenues** | | | | |
| Services | $ 53,650 | 68% | $ 70,975 | 59% |
| Sales of products | 24,729 | 32% | 49,499 | 41% |
| | 78,379 | 100% | 120,474 | 100% |
| **Costs and expenses** | | | | |
| Costs of services (a) | 32,526 | 61% | 44,555 | 63% |
| Costs of sales (a) | 13,649 | 55% | 24,821 | 50% |
| | 46,175 | 59% | 69,376 | 58% |
| Gross profit | 32,204 | 41% | 51,098 | 42% |
| Selling, general and administrative | 11,288 | 14% | 18,718 | 15% |
| Research and development | 3,933 | 5% | 5,958 | 5% |
| Operating income | 16,983 | 22% | 26,422 | 22% |
| Other income (expense): | | | | |
| Interest income | 701 | 1% | 542 | --- |
| Other income | 424 | --- | 537 | --- |
| Interest expense | (7,078) | (9%) | (6,456) | (5%) |
| Income before income taxes | 11,030 | 14% | 21,045 | 17% |
| Income taxes | 7,610 | 10% | 8,207 | 6% |
| Net income | $ 3,420 | 4% | $ 12,838 | 11% |

(a) Percentages are computed based on cost as a percentage of related revenue.

Results of Operations

Revenues for the first quarter of fiscal 1993 increased $42.1 million, or 53.7%, as compared with the first quarter of fiscal 1992. Revenues from services increased $17.3 million, or 32.3%, due primarily to higher net service revenues of $8.7 million from GTECH's existing customer base, along with incremental revenues of approximately $8.6 million from new lottery systems operated by GTECH which have commenced operations since May 25, 1991, primarily in Iowa, Louisiana, Maryland and Missouri.

Product sales in the first quarter of fiscal 1993, which were unusually high, were $49.5 million, representing a $24.8 million, or 100.2% increase over product sales in the first quarter of fiscal 1992. This change was due principally to a $15.8 million increase in terminal sales and $6.5 million of higher central system sales. GTECH sold 5,931 terminals during the first quarter of fiscal 1993 as compared to 3,304 terminals sold during the first quarter of fiscal 1992. GTECH sold one new central system in the first quarter of fiscal 1993 as compared to no central system sales in the first quarter of fiscal 1992.

Gross margins on service revenues decreased to 37.2% in the first quarter of fiscal 1993 from 39.4% in the first quarter of fiscal 1992, due principally to lower profit margins relating to new lottery systems which commenced operations since May 25, 1991. Since revenues from new lotteries typically grow rapidly for the first two to three years of operations and expenses remain relatively constant, gross margins for new lotteries tend to increase over time.

Gross margins on product sales fluctuate depending primarily on the mix and timing of product sales contracts. Gross margins on product sales increased to 49.9% in the first quarter of fiscal 1993 from 44.8% in the first quarter of fiscal 1992. The increase in gross margin was due primarily to a higher volume of terminal sales which generated more revenues to cover fixed period costs.

Selling, general and administrative expenses were up $7.4 million, or 65.8%, in the first quarter of fiscal 1993 over the same period a year ago. The higher costs resulted from additional employee and administrative costs which were necessary to support expanded operations, sales activity and marketing activity. In addition, GTECH recorded non-cash stock compensation expense of approximately $2.3 million in the first quarter of fiscal 1993 as compared to $377,000 in the first quarter of fiscal 1992 in connection with Holding's Stock Award Plans. As a percentage of revenues, selling, general and administrative expenses were 15.5% and 14.4% during the first quarter of fiscal 1993 and 1992, respectively. Excluding non-cash stock compensation expense, selling, general and administrative expenses would have been 13.6% and 13.9% of revenues during the first quarter of fiscal 1993 and 1992, respectively.

Research and development expenses were up $2.0 million, or 51.5%, in the first quarter of fiscal 1993 as compared to the same period a year ago. The higher costs resulted from increased activity relating to the development of new lottery equipment and software (including video lottery) and new lottery games for GTECH's higher base of customers. As a percentage of revenues, research and development expenses were 4.9% and 5.0% during the first quarter of fiscal 1993 and 1992, respectively.

Interest expense decreased by $622,000, or 8.8%, during the first quarter of fiscal 1993 as compared to the same period a year ago due primarily to lower average interest rates which were partially offset by higher average debt outstanding. The lower interest rates resulted in part from GTECH's achievement of an interest coverage ratio specified in the 1990 Credit Facilities during the second quarter of fiscal 1992 which decreased the interest rate on the debt outstanding under the 1990 Credit Facilities by one and one-half percentage points to Libor plus 1%.

The cumulative effective income tax rate of 39% for the three months ended May 30, 1992 was greater than the statutory rate due primarily to state income taxes.

Changes in Financial Position, Liquidity and Capital Resources

During the first quarter of fiscal 1993, GTECH generated cash from operating activities of $15.4 million. This cash, together with $23.5 million from long-term borrowings, was used primarily to purchase $34.4 million of systems, equipment and other assets relating primarily to the on-going installation of the Texas and West Virginia lottery systems along with the completion of 1,000 video lottery terminals for the Oregon lottery. In addition, GTECH purchased $2.4 million of property, plant and equipment in the first quarter of fiscal 1993, comprised of leasehold improvements and new equipment to support the expanded operations and marketing activity including the video lottery business.

Trade accounts receivable increased $22.0 million during the first three months of fiscal 1993 due primarily to the increase in product sales in the first quarter of fiscal 1993 as compared to the fourth quarter of fiscal 1992 and due to a $5.0 million receivable with deferred payment terms which is scheduled for collection in the fourth quarter of fiscal 1993.

The principal sources of liquidity for GTECH in the next several years are expected to be cash from operations and borrowings. GTECH's existing 1990 Credit Facility provided for borrowing capacity at May 30, 1992 (in addition to its term loan of which $63.6 million was outstanding) as follows: $69.5 million pursuant to a lottery contract facility (which is available, subject to certain limitations, for future capital expenditures in connection with new lottery contracts and extensions of existing lottery contracts) under which facility there were $33 million of borrowings outstanding at May 30, 1992; $51 million pursuant to a letter of credit facility of which $35.6 million had been utilized at May 30, 1992, with the remainder available for issuance's in the ordinary course of business; and $20 million pursuant to a working capital facility, under which facility $500,000 was outstanding at May 30, 1992 and of which a portion is reserved to fund payments which will be required if outstanding Convertible Subordinated Debentures are submitted for conversion, with the remainder available for general corporate purposes.

While there can be no assurance, GTECH believes that its cash flow from operations and available borrowings will be sufficient to permit it to meet its anticipated working capital and internal capital expenditure needs, to service its debt obligations and to permit it to fund anticipated growth for at least the next twelve months. On a long term basis, assuming GTECH's business continues to expand, GTECH may require additional funds to finance additional Lottery Contracts and other potential new business beyond those presently provided for in its existing 1990 Credit Facility.

In June 1992, Holdings filed a registration statement with the Securities and Exchange Commission covering the proposed underwritten public offering of 5,900,000 shares of its Common Stock and additional shares of Common Stock by selling stockholders, including certain members of GTECH's management and other principal stockholders (the "Offerings"). In connection with the Offerings, GTECH intends to enter into a new credit agreement providing for an unsecured revolving credit facility of up to $300 million (the "New Credit Facilities") which will replace the 1990 Credit Facilities. The net proceeds to GTECH from the Offerings, together with borrowings under the New Credit Facilities, are intended to be used for the purpose of funding a tender offer (which already has commenced) for all of GTECH's outstanding Senior Subordinated Notes and redemption of all of GTECH's outstanding Redeemable Preferred Stock and Convertible Subordinated Debentures.

If the Offerings and New Credit Facilities are not consummated, GTECH anticipates that it would seek to obtain any necessary additional funds through additional credit from its existing lenders, borrowings from new lenders and/or other sources.

Inflation and Foreign Exchange Fluctuation

The impact of inflation on GTECH's operations has not been significant to date. While GTECH does not believe that its business is highly sensitive to inflation, there can be no assurance that a high rate of inflation in the future would not have an adverse effect on GTECH's operations. Because GTECH's bank borrowings will be at fluctuating rates, rising interest rates could have an adverse impact on GTECH's profitability and its cash flow.

GTECH attempts to manage its foreign exchange risk by securing payment from its customers in U.S. dollars, by sharing risk with its customers and by entering into forward exchange contracts. In addition, a significant portion of the costs attributable to GTECH's foreign currency revenues are incurred in the local currencies.

## PART II. OTHER INFORMATION

### Item 1. LEGAL PROCEEDINGS

GTECH is party to various legal proceedings and claims. See Item 3 of GTECH's Report on Form 10-K for the fiscal year ended February 29, 1992 and Note P to the Consolidated Financial Statements contained therein. Although it is not possible to determine the outcome of these proceedings and claims at this stage, management believes that the disposition of these matters will not materially adversely affect GTECH's consolidated financial position or results of operations.

### Item 6. EXHIBITS AND REPORTS ON FORM 8-K

(a) Exhibits - Not applicable

(b) GTECH did not file any reports on Form 8-K during the quarter to which this report relates.

## SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

GTECH CORPORATION

Date 6/26/92

By _____
Guy B. Snowden, Co-Chairman, Chief Executive Officer, President (Principal Executive Officer) and Director

Date 6/26/92

By _____
Robert J. Plourde, Vice President and Corporate Controller (Principal Accounting Officer)